RDLZ REALISATION PLC (FORMERLY RANGER DIRECT LENDING ZDP PLC)

(Registered No. 10247619)

ANNUAL REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2018

CONTENTS

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts for the year ended 31 December 2018 for RDLZ Realisation Plc (the "Company" or "RDLZ"), (formerly Ranger Direct Lending ZDP Plc).

The Company is a wholly-owned subsidiary of RDL Realisation Plc ("RDL") (formerly Ranger Direct Lending Fund Plc) and was established solely for the purpose of issuing zero dividend preference shares of GBP 0.01 each in the capital of the Company ("ZDP Shares").

Since incorporation, the Company has carried out two placings of ZDP Shares, issuing a total of 53 million ZDP Shares for aggregate gross proceeds of GBP 53.8 million. The entirety of these gross proceeds were lent to RDL pursuant to the terms of a loan agreement between the Company and RDL dated 25 July 2016 (the "Loan" and the "Loan Agreement"). The proceeds of the Loan are required to be utilised in accordance with RDL's investment policy and for working capital purposes.

The current year loss is GBP 2,249,755 (2017: GBP 2,037,983).

As a condition of the Loan Agreement, RDL was required to grant an undertaking in favour of the Company dated 25 July 2016 (the "Undertaking") pursuant to which RDL undertook to subscribe for such number of Ordinary Shares of GBP 1.00 each in the capital of the Company ("Ordinary Shares") as would be necessary (or to otherwise ensure) so that the Company has sufficient funds to pay the final capital entitlement of GBP 1.2763 per ZDP Share (the "Final Capital Entitlement") to the ZDP Shareholders on 31 July 2021 (the "ZDP Repayment Date"), giving a redemption yield of 5%, on an issue price of GBP 1.00 per ZDP Share (the "Redemption Yield[1]").

In June 2018, the RDL Board announced its intention to dispose of its assets in an orderly manner and return shareholders' capital to them and adequately reimburse the ZDP Shareholders on or before 31 July 2021.

On 3 June 2019, the Company announced that the ZDP Committee of RDL and the Board of the Company have finalised the terms of a proposal (the "Proposal") pursuant to which, subject to required approvals by holders of ZDP Shares (the "ZDP Shareholders"):

- the Board and the RDL Board will take the steps necessary to place the Company into a members' voluntary winding up on a new ZDP Repayment Date, which will be 20 June 2019; and
- ZDP Shareholders will receive a Final Capital Entitlement of 121.8887 pence per ZDP Share (the "Revised Final Capital Entitlement").

The Proposal is conditional upon the approval by ZDP Shareholders of special resolutions at a class meeting. A circular convening such a class meeting of ZDP Shareholders to be held on 20 June 2019 (the "ZDP Class Meeting") to consider, and if thought fit, approve the special resolutions required to implement the Proposal has been published and sent to the ZDP Shareholders.

The Company and RDL have received undertakings to vote in favour of the resolutions to be proposed at the ZDP Class Meeting from holders of approximately 64.5 per cent. of the total number of ZDP Shares in issue. RDL does not propose to vote the 7,278,193 ZDP Shares held by it in relation to the Proposal, representing approximately 13.7 per cent. of the total number of ZDP Shares in issue.

As a result of the above early repayment, the Company is expected to incur a loss on derecognition of the ZDP Shares of £3 million.

CHAIRMAN'S STATEMENT (continued)

The key performance indicators against which the Board has reviewed the Company's performance are set out on page 7. Most significantly, the Cover (defined on page 6) as at 31 December 2018 was 2.46 times. I note that this is below the threshold of 2.75 below which RDL cannot make further dividend distributions other than the minimum required to maintain RDL's status as an investment trust. This reduction in cover to move below the threshold was brought about by a number of additional write-offs following a full portfolio revaluation. Whilst the reduction in Cover is concerning, the fact that RDL has carried out a full portfolio valuation, now holds very large cash reserves and cannot make further dividend distributions other than the minimum required to maintain its status as an investment trust should satisfy investors that sufficient assets will be available to repay the ZDP Shareholders in full when required to do so.

From the perspective of the Directors, the Company's activities are integrated with the RDL Group. The RDL Annual Report for 2018 will be found on RDL's website https://rdlrealisationplc.co.uk following its release to the market.

Brendan Hawthorne
Chairman
6 June 2019

[1] The Redemption Yield is not and should not be taken as a forecast of profits and there can be no assurance that the Final Capital Entitlement of the ZDP Shares will be repaid in full on the ZDP Repayment Date.

BOARD OF DIRECTORS

The Directors who held office during the financial year and up to the date of approval of this report were:

Brendan Hawthorne (Chairman) (Independent Non-Executive Director) appointed on 26 July 2018

Mr Hawthorne has more than 20 years' experience as a specialist in financial investigations and asset recovery. He has extensive multi-jurisdictional experience including acting as an independent director of substantial onshore and offshore investment funds. He is a Chartered Accountant and Certified Fraud Examiner.

Joe Kenary (Independent Non-Executive Director) appointed on 4 December 2018

Mr Kenary graduated from Harvard College in 1986 and also holds an MBA from UCLA Anderson School of Management. He began his career in private equity investing and since then has developed significant direct lending experience, as the first employee of Capitalsource Inc. a commercial finance business that evolved to become a publicly traded commercial bank with assets in excess of $10 billion. He was also a senior executive of Alliance Partners, a US based asset manager and commercial lender that specialised in the acquisition and management of commercial loans for community banks.

The Directors who held office during the financial year were:

Jonathan Schneider (Independent Non-Executive Director)
Appointed on 23 June 2016, resigned on 12 November 2018.

Christopher Waldron (Chairman) (Independent Non-Executive Director)
Appointed on 23 June 2016, resigned on 19 June 2018.

Dr Matthew Mulford (Independent Non-Executive Director)
Appointed on 23 June 2016, resigned on 19 June 2018.

STRATEGIC REPORT AND OTHER STATUTORY INFORMATION

The Strategic Report has been prepared in accordance with Section 414A of the Companies Act 2006 (the "Act"). Its purpose is to inform members of the Company and help them understand how the Directors have performed their duty under Section 172 of the Act.

The Company, which changed its name on 26 February 2019, was incorporated and registered in England and Wales on 23 June 2016 as a wholly-owned subsidiary of RDL. The Company has a capital structure comprising of unlisted Ordinary Shares and listed ZDP Shares.

On 1 August 2016, the Company placed 30 million ZDP Shares at a placing price of GBP 1.00 per ZDP Share. The Company was admitted to the standard segment of the Official List of the UK Listing Authority and the entirety of the Company's issued ZDP Share capital was admitted to trading on the London Stock Exchange's main market for listed securities (the "Admission"). A further 23 million ZDP Shares were issued at a placing price of GBP 1.035 per Share and admitted to trading on 4 November 2016 (the "Subsequent Admission").

The Company's Ordinary Share capital is wholly-owned by RDL.

Pursuant to the terms of a Loan Agreement, the Company loaned the entirety of the gross proceeds of the issue of ZDP Shares to RDL upon Admission and Subsequent Admission (as applicable). As a condition of entering into the loan agreement, RDL was required to grant the Company the Undertaking. In accordance with the terms of the Undertaking, RDL is required to (among other things) subscribe for such number of Ordinary Shares in the Company as may be necessary to ensure (or to otherwise ensure) that the Company has sufficient assets to pay the Final Capital Entitlement to the ZDP Shareholders on the ZDP Repayment Date and to pay any operational costs incurred by the Company.

From the perspective of the Directors, the Company's activities are integrated with RDL and its subsidiaries (the "Group") as explained in the Chairman's Statement.

Principal activities

The Company is a wholly-owned subsidiary of RDL and was incorporated by RDL for the sole purpose of issuing the ZDP Shares. The Company's only material financial obligations are in respect of the ZDP Shares. The proceeds from the issuance of the ZDP Shares were on-lent to RDL pursuant to the Loan Agreement. These proceeds along with the obligation of RDL, pursuant to the Undertaking granted in favour of the Company to put the Company in a position to meet its obligations in respect of the ZDP Shares, form the Company's only material assets.

During the year, RDL purchased a total of 7,278,193 ZDP Shares.

On 11 June 2018, the RDL Board announced its intention to dispose of its assets in an orderly manner and return Shareholders' capital to them and adequately reimburse the ZDP Shareholders on or before 31 July 2021.

Given these developments and the intention to wind down the Company, the use of the going concern basis in preparing the financial statements of the Company is not considered to be appropriate. As such, the financial statements have been prepared on a basis other than that of a going concern, with assets being measured at their net realisable value. There were no adjustments made to the carrying values of the assets of the Company as a result of this change in the basis of preparation, because the Directors' consider the carrying value of assets to approximate their net realisable value.

No provision has been made for the costs of winding up the Company as these will be charged to the income statement on an accruals basis as they are incurred, or the Company becomes obligated to make such payments in the future.

STRATEGIC REPORT AND OTHER STATUTORY INFORMATION (continued)

Objective

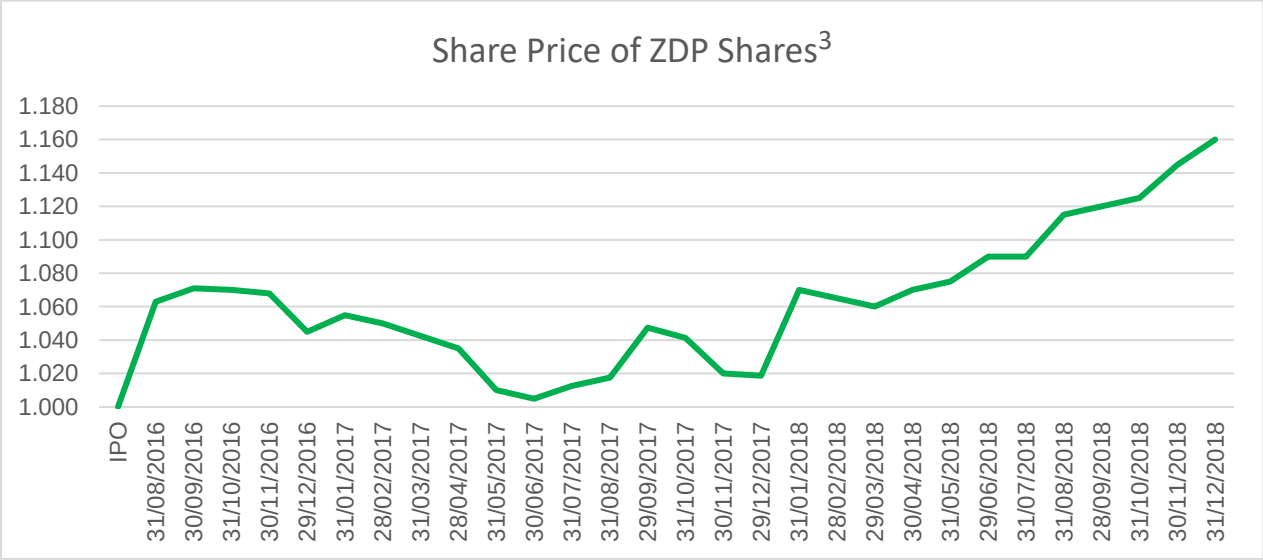
The objective of the Company is to provide the Final Capital Entitlement of the ZDP Shares to the ZDP holders on the ZDP Repayment Date of 31 July 2021. The funds are managed in accordance with the investment policy of RDL, which has announced its intention to dispose of its assets in an orderly manner and return shareholders' capital to them and adequately reimburse the ZDP Shareholders on or before 31 July 2021.

Important events and financial performance

The current year loss is GBP 2,249,775 (see page 23) (2017: GBP 2,037,983).

The Board reviews the performance of the Company by reference to a number of key performance indicators ("KPIs") and considers that the most relevant KPIs in assessing the Company's success towards achieving its objective are as follows:

- Accrued capital entitlement – represents the Company's liability per ZDP share. As at 31 December 2018, the total accrued capital entitlement was £59,309,524 (see page 22).
- Cover[2] – measures the ability of RDL to meet the Company's Final Capital Entitlement based on RDL's net asset value.
- Share Price of ZDP Shares[3] – the price at which each ZDP Share can be sold on the London Stock Exchange.



The ZDP Shares' Cover as at 31 December 2018 was 2.46 times (31 December 2017: 3.19 times).

As at 31 December 2018, the capital entitlement which had accrued on the ZDP Shares was GBP 1.1184 per ZDP Share (31 December 2017: GBP 1.0634 per ZDP Share). The Final Capital Entitlement is GBP 1.2763 per ZDP Share (payable on the ZDP Repayment Date).[4]

[2] Cover of the ZDP Shares shall represent a fraction where the numerator is equal to the Net Asset Value of RDL and its Group on a consolidated basis (adjusted to: (i) add back any liability to ZDP Shareholders; and (ii) deduct the estimated liquidation costs of the Company) and the denominator is equal to the amount which would be paid on the ZDP Shares as a class (and on all ZDP Shares ranking as to capital in priority thereto or *pari passu* therewith, save to the extent already taken into account in the calculation of the Net Asset Value) in a winding up of the Company on the ZDP Repayment Date. The calculation of the Cover has been adjusted to deduct 7,278,193 ZDP Shares held by RDL from the total outstanding ZDP Shares to determine the ZDP redemption amount due on 31 July 2021.

[3] Share Price taken from Bloomberg Professional.

[4] There can be no assurance that the Final Capital Entitlement of the ZDP Shares will be repaid in full on the ZDP Repayment Date.

STRATEGIC REPORT AND OTHER STATUTORY INFORMATION (continued)

Important events and financial performance (continued)
The ZDP Shares carry no right to income and the whole of their return, therefore takes the form of capital.

The Redemption Yield of the ZDP Shares is 5% per annum based on an issue price of GBP 1.00 per ZDP Share and is deemed to accrue daily and is compounded annually from 1 August 2016 up to (but excluding) the ZDP Repayment Date. The Final Capital Entitlement will rank in priority to the capital entitlement of RDL's ordinary shares, however, the loan made by the Company to RDL is unsecured and therefore the Company will rank behind any secured creditors of RDL. As such, there can be no guarantee that the Final Capital Entitlement will be paid.

Further KPIs for RDL can be found in RDL's Annual Report.

The Company's market capitalisation as of 31 December 2018 was GBP 61.480 million (31 December 2017: GBP 53.994 million) based on 53,000,000 ZDP Shares at a Share Price of 116.0 pence (31 December 2017: 101.875 pence) per ZDP Share.

Current and future developments
The current and future developments of the Company are set out in the Chairman's Statement on pages 2 to 3 and can also be reviewed as part of the Group's activities by reference to RDL's Annual Report.

External service providers
Administrative functions are contracted to external service providers. However, the Directors retain responsibility for exercising overall control and supervision of these external service providers.

Principal risks and uncertainties
Due to the Company's dependence on RDL to repay the loan and provide any contribution to meet the Final Capital Entitlement of the ZDP Shareholders, the principal risk faced by the Company is the credit risk posed by the Loan Agreement and RDL's ability to perform its obligations under the Undertaking. The Board has carried out a robust assessment of this risk. The specific risks faced by RDL are described in its Annual Report.

In addition, the Company is also focused on the following principal risk:

Principal risk	*Mitigation*	*Link to KPI*
Final Capital Entitlement		
RDL's debt to the Company pursuant to the Loan Agreement and RDL's obligations under the Undertaking will rank behind any secured creditors of RDL therefore it is not guaranteed that the Final Capital Entitlement will be paid.	To protect the interests of ZDP Shareholders, the Undertaking contains the following restrictions: • *Group incurring any bank borrowings which would exceed an amount equal to the sum of:* (a) 20% of the prevailing Net Asset Value attributable to the RDL Ordinary Shares in issue as at 1 August 2016; plus (b) an amount equal to 50% of the net proceeds of any issue of RDL C Shares. • *RDL making any distribution of capital or income, other than any such distribution which:* (a) is required to maintain RDL's status as an Investment Trust; or (b) would not reduce the Cover of the ZDP Shares below 2.75 times immediately after the distribution has been made.	Cover

STRATEGIC REPORT AND OTHER STATUTORY INFORMATION (continued)

Principal risks and uncertainties (continued)
The Cover as at 31 December 2018 was 2.46 times. This is below the threshold of 2.75 below which RDL cannot make further dividend distributions other than the minimum required to maintain RDL's status as an investment trust. This reduction in cover to move below the threshold was brought about by a number of additional write-offs following a full portfolio revaluation.

Whilst the reduction in cover represents an increased risk, the fact that RDL has carried out a full portfolio valuation, now holds very large cash reserves and cannot make further dividend distributions, other than the minimum required to maintain its status as an investment trust, mitigates the risk that RDL will not hold sufficient assets to repay the ZDP Shareholders in full when required to do so.

Employees, environmental, human rights and community issues
The Board recognises the requirement under Section 414C of the Act to detail information about employees, human rights and community issues, including information about any policies it has in relation to these matters and the effectiveness of these policies.

The Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, including those within RDL's underlying investment portfolio.

The Company has no employees and the Board is comprised entirely of Non-Executive Directors who are also directors of RDL. The Company itself has no environmental, human rights or community policies. However, in carrying out its activities with its suppliers, by way of RDL, the Company aims to conduct itself responsibly, ethically and fairly.

Gender diversity
At the end of the financial year, the Company had two male Directors. The Board considers the current structure, size and composition of the Board to be appropriate, taking into account the challenges and opportunities facing the Company. The Directors are committed to diversity and are supportive of increased gender diversity but recognise that it may not always be in the best interests of Shareholders to prioritise this above other factors. In considering future candidates, appointments will be made with regard to a number of different criteria, including diversity of gender, background and personal attributes, alongside the appropriate skills, experience and expertise.

The Directors are satisfied that the Board currently contains members with an appropriate breadth of skills and experience. No new appointments to the Board have been made or are contemplated at present.

On behalf of the Board

Brendan Hawthorne
Chairman
6 June 2019

DIRECTORS' REPORT

The Directors present their Report and the financial statements of the Company for the year ended 31 December 2018.

Directors and Share Interests
The Directors, all of whom are non-executive, who served during the year and up to the date of this report, unless otherwise noted, were as follows:

Brendan Hawthorne (Chairman), appointed 26 July 2018
Joseph Kenary, appointed 4 December 2018
Jonathan Schneider, resigned 12 November 2018
Christopher Waldron, resigned 19 June 2018
Dr Matthew Mulford, resigned 19 June 2018

The current Directors of the Company are also RDL Directors.

Biographies of each Director are set out on page 4 and demonstrate the wide range of skills and experience each brings to the Board.

Given the nature of the Company's business and the number of Directors, the Directors have not established separate committees of the Board but deal with all business themselves.

The appointment and replacement of Directors are governed by the Articles of Association ("Articles"), the Act and related legislation. The Articles themselves may be amended by a special resolution in a general meeting and at a class meeting of the ZDP Shareholders.

During the year, no Director had a material interest in a contract to which the Company was a party (other than their own letter of appointment). There have been no loans or guarantees from the Company to any Director at any time during the year or thereafter.

A formal performance evaluation of the RDL Board and its committees has not been carried out in 2018. Given the change in RDL Board members, it was not felt appropriate or necessary to conduct a separate Board evaluation. Further consideration will be given to this in 2019. Whilst the Board of the Company has not undertaken a separate formal appraisal of its own Directors, the Board believes that it is in the interest of Shareholders that these Directors remain in office as the current Directors contribute effectively to the operation of the Board and the strategy of the Company.

None of the Directors has had any interests in the Company's Ordinary or ZDP Shares of the Company at any time during the period. The Directors do not hold any interests in the shares of RDL. There have been no changes to this since 31 December 2018 up to the date of this Report.

Annual General Meeting
Under the Company's Articles, Directors are required to retire at the first Annual General Meeting following their appointment, and thereafter at three-yearly intervals. Both Directors will therefore be seeking election at the Company's forthcoming Annual General Meeting.

The third Annual General Meeting of the Company will be held on 9 July 2019 (the "AGM") and the Notice of AGM which sets out the resolutions proposed accompanies this Annual Report. A copy of the Notice of AGM will be made available on the Company's website at https://rdlrealisationplc.co.uk/zdp in due course. ZDP Shareholders are reminded that they are not entitled to attend or vote at the Company's AGM.

DIRECTORS' REPORT (continued)

Director's remuneration
None of the Directors received any remuneration for their services during the year in respect of their Directorship of the Company. No Director has a service contract with the Company and no Director is eligible for bonuses, pension benefits, share options, long-term incentive scheme or other benefits in respect of their Directorship of the Company. Accordingly, the Directors deem it appropriate that no Directors' remuneration report is included within this Report.

Audit
The Company's audit is completed by Deloitte LLP who report their findings to the Audit Committee of RDL. The responsibility for the Company's Annual Report remains with the Board and the Statement of Director's Responsibilities can be found on page 15.

Board of Director's indemnity
The Company has entered into contractual indemnities with each of the Directors pursuant to the Company's Articles and these remain in force. Alongside these indemnities, RDL also provides Directors' liability insurance cover for each Director.

Independent professional advice
Individual Directors may seek independent professional advice in furtherance of their duties at the Company's expense within certain parameters. All Directors have access to the advice and services of the Company Secretary.

Board of Directors' independence and conflicts of interest
The Company's procedures for dealing with conflicts of interest are set out in the Articles. These provide that the Directors may authorise any actual or potential conflict of interest that may arise, with or without imposing any conditions that they consider appropriate on the Director. Directors are not able to vote in respect of any contract, arrangement or transaction in which they have a material interest and in such circumstances, they are not counted in the quorum. A process has been developed to identify any of the Directors' potential or actual conflicts of interest. This includes declaring any interest in the business to be discussed before the start of each Board meeting.

The Board have considered the independence of each Director and has concluded that each Director is wholly independent as none of the Directors hold a beneficial interest in the Company and none are ZDP Shareholders or RDL Shareholders. In addition, the Directors are not members of the ZDP Working Committee established by RDL, which has been formed to analyse, consider and implement RDL's actions with respect to the Company and its ZDP Shares.

Company Secretary
The Company has appointed Link Company Matters Limited as its Company Secretary which is responsible for ensuring that Board procedures are followed. The Company Secretary is also responsible for ensuring timely delivery of information and reports and that certain statutory obligations, such as compliance with the Act and the Listing Rules and Disclosure Guidance and Transparency Rules, are met. Furthermore, the Company Secretary is responsible for advising the Board on all governance related matters.

Capital structure
As at 31 December 2018, the issued share capital of the Company comprised 569,430 Ordinary Shares of GBP 1.00 each (representing 51.8% of the Company's issued share capital), and 53,000,000 ZDP Shares of GBP 0.01 each (representing 48.2% of the Company's issued share capital), all of which are fully paid. The Ordinary Shares of the Company are not admitted to trading on a regulated market. The Company's Articles permit the Board to issue or buy back shares, however, no authority to buy back shares has yet been sought from Shareholders. The Company has therefore not bought back any shares during the year.

Issue of shares
The Company issued 519,430 Ordinary Shares to RDL on 18 December 2018 at GBP 1.00 each.

DIRECTORS' REPORT (continued)

Restrictions on voting

Holders of Ordinary Shares are entitled to receive notice of, attend and vote at General Meetings of the Company.

Holders of the ZDP Shares are entitled to receive notice of General Meetings of the Company for information purposes but shall have no right to attend or vote at any such General Meeting. Any resolution to alter, modify or abrogate the special rights or privileges attached to the ZDP Shares shall require separate class consent, by special resolution, at a class meeting of ZDP Shareholders. The ZDP Shares carry no right to receive dividends or other distributions out of revenue or any other profits of the Company.

Transfer of shares

Under the Company's Articles, all transfers of shares may be effected in any form acceptable to the Board. The Board may refuse to register any transfer of shares which are not fully paid unless such discretion may prevent dealings in the shares of that class from taking place on an open and proper basis. The Board may also refuse to register any transfer of shares unless:

- the instrument of transfer is in respect of only one class of share;
- the transfer is not in favour of more than four persons jointly; and
- when submitted for registration, the transfer is accompanied by the relevant share certificates and such other evidence as the Board may reasonably require.

There are no agreements between holders of securities regarding their transfer known to the Company and no agreements which the Company is party to that might affect its control following a successful takeover bid.

If the Board refuse to register a transfer of shares they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

Substantial shareholding

As at 31 December 2018, RDL owned 100% of the rights in the Company's Ordinary Share capital and held 7,278,193 ZDP Shares.

Significant agreements

The Company is not party to any significant agreements which take effect after or terminate upon a change of control of the Company, nor has the Company entered into any agreements with its Directors to provide for compensation for loss of office as a result of a takeover bid.

Corporate Governance

It is the responsibility of the Board to ensure that there is effective stewardship of the Company's affairs. The Company has a Standard Listing on the London Stock Exchange therefore the Company is not obliged to comply with the UK Corporate Governance Code (the "Governance Code"), nor does the Company intend to comply with the Governance Code on a voluntary basis. However, the Board is committed to appropriately high standards of Corporate Governance.

As such, the Board meets regularly to consider RDL's compliance with the terms of the loan and the undertaking, based on reports from RDL. The Board also considers the Company's interim and annual reports. The Board met regularly during the year and all Directors in office at the time of each meeting attended.

The Directors believe that the Board has an appropriate balance of skills and experience to enable it to provide effective leadership and proper governance of the Company. Information on each of the current Directors, including their relevant experience is set out on page 4.

Given the nature of the Company's business and the number of Directors, the Board has not established separate committees and instead deals with all business as a full Board.

DIRECTORS' REPORT (continued)

Main features of the Company's internal control and risk management systems in relation to the financial reporting process
The Board of Directors is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of error or fraud in achieving the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has contracted with Sanne Fiduciary Group, as Administrator of the Company, to put procedures in place to ensure all relevant accounting records are properly maintained and are readily available, including production of annual financial statements. The annual financial statements of the Company are required to be approved by the Board of the Company and audited by the independent auditor who report annually to the Board on its findings. The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Financial risk management
The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 8 to the financial statements.

Charitable and Political donation
No political or charitable donations were made during the year (2017: none).

Branches outside the UK
The Company's registered office is at 6th Floor, 65 Gresham Street, London EC2V 7NQ and neither the Company nor RDL has established any branches outside the UK.

Going Concern and Viability Statements
On 11 June 2018, the RDL Board announced its intention to dispose of its assets in an orderly manner and return Shareholders' capital to them and adequately reimburse the ZDP Shareholders by 31 July 2021.

On 3 June 2019, the Company announced that the ZDP Committee of RDL and the Board of the Company have finalised the terms of a proposal (the "Proposal") pursuant to which, subject to required approvals by holders of ZDP Shares (the "ZDP Shareholders"):

- the Board and the RDL Board will take the steps necessary to place the Company into a members' voluntary winding up on a new ZDP Repayment Date, which will be 20 June 2019; and
- ZDP Shareholders will receive a Final Capital Entitlement of 121.8887 pence per ZDP Share (the "Revised Final Capital Entitlement").

The Proposal is conditional upon the approval by ZDP Shareholders of special resolutions at a class meeting. A circular convening such a class meeting of ZDP Shareholders to be held on 20 June 2019 to consider, and if thought fit, approve the special resolutions required to implement the Proposal has been published and sent to the ZDP Shareholders.

The Company and RDL have received undertakings to vote in favour of the resolutions to be proposed at the ZDP Class Meeting from holders of approximately 64.5 per cent. of the total number of ZDP Shares in issue. RDL does not propose to vote the 7,278,193 ZDP Shares held by it in relation to the Proposal, representing approximately 13.7 per cent. of the total number of ZDP Shares in issue.

As a result of the above early repayment, the Company is expected to incur a loss on derecognition of the ZDP Shares of £3 million.

DIRECTORS' REPORT (continued)

Going Concern and Viability Statements (continued)

Given these developments and the intention to wind down the Company, the use of the going concern basis in preparing the financial statements of the Company is not considered to be appropriate. As such the financial statements have been prepared on a basis other than that of a going concern, under which assets are measured at their net realisable value. There were no adjustments made to the carrying values of the assets and liabilities of the Company as a result of this change in the basis of preparation, because the Directors consider the carrying value of assets to approximate their net realisable value.

No provision has been made for the costs of winding up the Company as these will be charged to the income statement on an accruals basis as they are incurred or the Company becomes obligated to make such payments in the future.

The Directors believe that the Company and RDL have adequate resources to continue in operational existence until the anticipated liquidation of the Company. The RDL Board intends that sufficient liquidity is held back at all times to ensure that all liabilities, including those owed to ZDP Shareholders, are at all times adequately covered.

The Directors have assessed the prospects of the Company up to the ZDP Repayment Date of 31 July 2021. The Directors believe this period to be appropriate as they will subsequently be required by the Articles to pass a special resolution in a general meeting and at a class meeting of ZDP Shareholders to place the Company into voluntary liquidation. Should the Company be wound up before then, RDL have indicated that they currently have sufficient liquidity to repay the loan with existing cash resources.

The Board has reviewed the going concern and viability statements of RDL, which can be found in the Strategic Report of RDL's Annual Report and has assessed that RDL has sufficient resources to fulfil its obligations to the Company. The key assumptions made include having adequate Cover for the Final Capital Entitlement as at that date and cash flow forecast for the Company's general and administrative costs.

Based on the Directors' evaluation of these factors, they concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to the final repayment date.

Dividends

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2018 (2017: nil).

Significant events since Statement of Financial Position date

There have been no significant events since the Statement of Financial Position date, other than what is disclosed in note 14.

Alternative Investment Fund Manager's Directive ("AIFMD")

The Company is a small, internally-managed alternative investment fund ("AIF") for the purpose of the AIFMD and therefore is not required to comply with the disclosure requirements of the AIFMD.

Auditor

Deloitte LLP have confirmed its willingness to continue in office as auditor in accordance with Section 489 of the Act. The Company is satisfied that Deloitte LLP is independent and there are adequate safeguards in place to safeguard its objectivity. A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming AGM.

DIRECTORS' REPORT (continued)

Directors' statement as to disclosure of information to the auditor
Each of the persons who is a Director at the date of approval of this report confirms that:

(a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware;
(b) he has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of Act.

On behalf of the Board

Brendan Hawthorne
Chairman
6 June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As explained in note 2 to the financial statements, the Directors do not believe the going concern basis to be appropriate for the preparation of the financial statements of the Company and accordingly the financial statements of the Company have not been prepared on a going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's and Stock Exchange websites. Legislation in the UK governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

Responsibility statement
We, being Directors, as detailed on page 4, hereby confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report, taken as a whole, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties.

This responsibility statement was approved by the Board of Directors on 6 June 2019 and is signed on behalf of the Board.

Brendan Hawthorne
Chairman
6 June 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RDLZ REALISATION PLC (FORMERLY KNOWN AS RANGER DIRECT LENDING ZDP PLC)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RDLZ Realisation Plc:

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that was identified in the current year was the accuracy of the calculation of interest income on the loan instrument provided to RDL Realisation Plc (formerly known as Ranger Direct Lending Fund Plc).
Materiality	The materiality that we used for the company financial statements was £206,000 which was determined on the basis of 10% of the loss before taxation.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There were no significant changes to our audit approach since our previous audit.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Key audit matter

The key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the financial statements of the current period and includes the most significant assessed risk of material misstatement (whether or not due to fraud) that we identified. This matter was that which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Accuracy of the EIR calculation	
Key audit matter description	Investment income of £1.1 million has been recognised for the year ended 31 December 2018. This is the sole source of income for the company, which was established to provide financing for the parent company, RDL Realisation Plc through its issuance of ZDP shares. Refer to note 2 to the financial statements for the investment income accounting policy and for details of the critical accounting policy judgement made by the directors in relation to the determination of the interest rate. We presume a risk of material misstatement due to fraud related to revenue recognition. We have identified that this risk relates specifically to the accuracy of the calculation of interest income on the loan instrument provided to RDL Realisation Plc.
How the scope of our audit responded to the key audit matter	Our procedures included: **Assessing related controls:** We performed a detailed walkthrough of the process, assessing the design and implementation of key controls around the recognition of interest income. We assessed the design and implementation of key controls around related party transactions. **Tests of detail:** We reperformed the interest income calculation, by agreeing the calculation to governing documents and source documentation, verifying the calculation methodology and the accuracy of the inputs used in the calculation.
Key observations	Based on our work, we concluded that investment income is not materially misstated in the context of the audit of the company's financial statements.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£206,000 (2017: £185,000)
Basis for determining materiality	10% of pre-tax loss
Rationale for the benchmark applied	Profit or loss before tax is a relevant benchmark as it is a key figure used by stakeholders in assessing the performance of the business.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,300 (2017: £9,250) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

A full scope audit has been performed for the company's financial statements. Audit work to respond to the risk of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RDLZ REALISATION PLC (FORMERLY KNOWN AS RANGER DIRECT LENDING ZDP PLC) (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of the Board and the outsourced administrator, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the accuracy of the calculation of interest income; and
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act.

Extent to which the audit was considered capable of detecting irregularities, including fraud continued

Audit response to risks identified

As a result of performing the above, we identified Accuracy of the EIR calculation as a key audit matter. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of the directors and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the audit committee we were appointed by the directors of the Company on 22 July 2016 to audit the financial statements of the Company for the period ending 31 December 2016 and subsequent financial periods. Our total uninterrupted period of engagement is 3 years, covering periods from our appointment through to the period ending 31 December 2018.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Garrath Marshall, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
6 June 2019

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	31 Dec 2018 (GBP)	31 Dec 2017 (GBP)
ASSETS			
Non-current assets			
Loan and receivables	3	**55,687,457**	54,595,547
Total non-current assets		**55,687,457**	54,595,547
Current assets			
Prepayments		**-**	170
Receivables		**192,292**	-
Cash and cash equivalents		**50,000**	50,000
Total current assets		**242,292**	50,170
TOTAL ASSETS		**55,929,749**	54,645,717
Non-current liabilities			
Zero Dividend Preference Shares	4	**59,309,524**	56,360,557
Total non-current liabilities		**59,309,524**	56,360,557
Current liabilities			
Income tax liability		**186,921**	214,799
Accrued expenses and other liabilities		**136,107**	42,839
Total current liabilities		**323,028**	257,638
TOTAL LIABILITIES		**59,632,552**	56,618,195
NET LIABILITIES		**(3,702,803)**	(1,972,478)
SHAREHOLDERS' EQUITY			
Capital and reserves			
Called-up share capital	5	**569,430**	50,000
Capital contribution	3	**670,946**	670,946
Accumulated losses		**(4,943,179)**	(2,693,424)
TOTAL SHAREHOLDERS' DEFICIT		**(3,702,803)**	(1,972,478)

The accompanying notes on pages 26 to 41 are an integral part of these financial statements.

The financial statements on pages 22 to 41 for the year ended 31 December 2018 of RDLZ Realisation Plc, a public company limited by shares and incorporated in England and Wales with registered number 10247619, were approved and authorised for issue by the Board of Directors on 6 June 2019.

Signed on behalf of the Board of Directors:

Brendan Hawthorne
Chairman

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	1 Jan to 31 Dec 2018 (GBP)	1 Jan to 31 Dec 2017 (GBP)
Income			
Investment income	3	**1,091,910**	1,070,500
		1,091,910	1,070,500
Expenses			
Company secretarial, administration and registrar		**(75,405)**	(81,833)
Audit fees	12	**(28,965)**	(37,760)
Legal fees		**(97,500)**	(1,500)
VAT and tax fees		**-**	(2,530)
Other operating expenses		**(3,946)**	(6,314)
Total expenses		**(205,816)**	(129,937)
Result from operating activities		**886,094**	940,563
Finance costs		**(2,948,965)**	(2,797,488)
Total finance costs		**(2,948,965)**	(2,797,488)
Loss before tax		**(2,062,871)**	(1,856,925)
Tax	6	**(186,883)**	(181,058)
Loss after tax and total comprehensive loss for the year		**(2,249,754)**	(2,037,983)
Basic and Diluted Loss Per Ordinary Share	9	**(32.84)**	**(40.76)**

The accompanying notes on pages 26 to 41 are an integral part of these financial statements.

All items in the above Statement derive from continuing operations.

Other comprehensive income
There were no items of other comprehensive income in the current year and prior year therefore the loss for the year and prior year are also the total comprehensive loss for the year and prior year.

STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Called-up Share capital	Capital contribution	Accumulated losses	Total
		(GBP)	(GBP)	(GBP)	(GBP)
Balance at 1 January 2017		50,000	529,407	(655,441)	(76,034)
Capital contribution during the year	**3**	-	175,280	-	175,280
Tax relating to capital contribution		-	(33,741)	-	(33,741)
Loss after tax and total comprehensive income for the period		-	-	(2,037,983)	(2,037,983)
Balance at 31 December 2017		50,000	670,946	(2,693,424)	(1,972,478)

	Notes	**Called-up Share capital**	**Capital contribution**	**Accumulated losses**	**Total**
		(GBP)	(GBP)	(GBP)	(GBP)
Balance at 1 January 2018		**50,000**	**670,946**	**(2,693,424)**	**(1,972,478)**
Issue of shares	**5**	**519,430**	**-**	**-**	**519,430**
Loss after tax and total comprehensive income for the year		**-**	**-**	**(2,249,755)**	**(2,249,755)**
Balance at 31 December 2018		**569,430**	**670,946**	**(4,943,179)**	**(3,702,803)**

The accompanying notes on pages 26 to 41 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	**1 Jan to 31 Dec 2018** ***(GBP)***	1 Jan to 31 Dec 2017 *(GBP)*
Cash flows from operating activities			
Loss before tax		**(2,062,871)**	(1,856,925)
Adjustments for:			
Investment income		**(1,091,910)**	(1,070,500)
Finance costs		**2,948,965**	2,797,488
Income tax paid		**(214,762)**	(44,026)
Operating cash flows before movements in working capital		**(420,578)**	(173,963)
Issue of Ordinary Shares	**5**	**519,430**	-
(Increase)/decrease in prepayments and other receivables		**(192,122)**	1,588
Increase/(decrease) in accrued expenses and other liabilities		**93,270**	(2,905)
Net cash flows used in operating activities		**-**	(175,280)
Financing activities			
Expenses paid by RDL		**-**	175,280
Net cash flows from financing activities		**-**	175,280
Net change in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**50,000**	50,000
Cash and cash equivalents at the end of the year		**50,000**	50,000

The issue of Ordinary Shares to RDL served to reduce the loan receivable from RDL. No cash was received.

The accompanying notes on pages 26 to 41 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

RDLZ Realisation PLC ("RDLZ" or the "Company"), was incorporated and registered in England and Wales on 23 June 2016 as a wholly-owned subsidiary of RDL Realisation Plc ("RDL") and with a limited life of up to 31 July 2021, unless extended by the passing of a special resolution of the Company. On 1 August 2016, the Company was subsequently admitted to the standard segment of the Official List of the UK Listing Authority and its Zero Dividend Preference Shares of GBP 0.01 each (the "ZDP Shares") were admitted to trading on the London Stock Exchange's main market for listed securities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and preparation
These financial statements have been prepared in compliance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have been prepared on a historical cost basis. There are no new standards or amendments to standards effective for the period presented that have a material impact on the Company.

Going concern and viability statements
The RDL Board has announced its intention to dispose of its assets in an orderly manner and return Shareholders' capital to them and adequately reimburse the ZDP Shareholders by 31 July 2021.

On 3 June 2019, the Company announced that the ZDP Committee of RDL and the Board of the Company have finalised the terms of a proposal (the "Proposal") pursuant to which, subject to required approvals by holders of ZDP Shares (the "ZDP Shareholders"):

- the Board and the RDL Board will take the steps necessary to place the Company into a members' voluntary winding up on a new ZDP Repayment Date, which will be 20 June 2019; and
- ZDP Shareholders will receive a Final Capital Entitlement of 121.8887 pence per ZDP Share (the "Revised Final Capital Entitlement").

The Proposal is conditional upon the approval by ZDP Shareholders of special resolutions at a class meeting. A circular convening such a class meeting of ZDP Shareholders to be held on 20 June 2019 (the "ZDP Class Meeting") to consider, and if thought fit, approve the special resolutions required to implement the Proposal has been published and sent to the ZDP Shareholders.

The Company and RDL have received undertakings to vote in favour of the resolutions to be proposed at the ZDP Class Meeting from holders of approximately 64.5 per cent. of the total number of ZDP Shares in issue. RDL does not propose to vote the 7,278,193 ZDP Shares held by it in relation to the Proposal, representing approximately 13.7 per cent. of the total number of ZDP Shares in issue.

As a result of the above early repayment, the Company is expected to incur a loss on derecognition of the ZDP Shares of £3 million.

Given these developments and the intention to wind down the Company, the use of the going concern basis in preparing the financial statements of the Company is not considered to be appropriate. As such, the financial statements have been prepared on a basis other than that of a going concern, under which assets are measured at their net realisable value. There were no adjustments made to the carrying values of the assets and liabilities of the Company as a result of this change in the basis of preparation, because the Directors consider the carrying value of assets to approximate their net realisable value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern and viability statements (continued)
No provision has been made for the costs of winding up the Company as these will be charged to the income statement on an accruals basis as they are incurred or the Company becomes obligated to make such payments in the future.

The Directors believe that the Company and Group have adequate resources to continue in operational existence until the anticipated liquidation of the Company. The RDL Board intend that sufficient liquidity is held back at all times to ensure that all liabilities, including those due to ZDP Shareholders are at all times adequately covered.

The Directors have assessed the prospects of the Company up to the ZDP Repayment Date of 31 July 2021. The Directors believe this period to be appropriate as they will subsequently be required by the Articles to pass a special resolution in a general meeting and at a class meeting of ZDP Shareholders to place the Company into voluntary liquidation.

The Board has reviewed the going concern and viability statement of RDL, which can be found in the Strategic Report of RDL's Annual Report and has assessed that RDL has sufficient resources to fulfil its obligations to the Company. The key assumptions made include having adequate Cover for the Final Capital Entitlement as at that date and cash flow forecast for the Company's general and administrative costs. Based on the Directors' evaluation of these factors, they have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due up to the final repayment date.

New Accounting Standards, amendments to existing Accounting Standards and/or interpretations of existing Accounting Standards (separately or together, "New Accounting Requirements") not yet adopted

In the Directors' opinion, except for the application of the New Accounting Requirements referred to below, all non-mandatory New Accounting Requirements are either not yet permitted to be adopted, or would have no material effect on the reported performance, financial position or disclosures of the Company and consequently have neither been adopted.

New Accounting Requirements endorsed for use in the EU

IFRS 9 – "Financial Instruments" (Replacement of IAS 39 – "Financial Instruments: Recognition and Measurement") – effective from 1 January 2018

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i – Classification – Financial assets

IFRS 9 contains three principal classification categories for financial assets; measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Requirements endorsed for use in the EU (continued)

IFRS 9 – "Financial Instruments" (Replacement of IAS 39 – "Financial Instruments: Recognition and Measurement") – effective from 1 January 2018 (continued)

ii – Impairment - Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within the 12-months after the reporting date; and

- lifetime ECL: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

Under IFRS 9, the Company has to classify all financial instruments in scope for impairment into 3 Stages – stage 1, stage 2 or 3, depending on the change in credit quality since initial recognition.

Investments in equity instruments and financial assets at FVTPL are out of scope of the impairment requirement.

Stage 1

This includes loans where there is no significant increase in credit risk since initial recognition or loans that have low credit risk on reporting date. For loans in stage 1, interest is accrued on the gross carrying amount of the loans and a 12-month expected credit loss ("ECL") is factored in the profit and loss ("P&L") calculations.

Stage 2

This consists of loans with significant increase in credit risk since initial recognition but not credit impaired. Interest for loans in stage 2 is accrued on the gross carrying amount, however, a lifetime ECL is factored into the profit and loss calculations.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
New Accounting Requirements endorsed for use in the EU (continued)

IFRS 9 – "Financial Instruments" (Replacement of IAS 39 – "Financial Instruments: Recognition and Measurement") – effective from 1 January 2018 (continued)

ii – Impairment - Financial assets and contract assets (continued)

Stage 3

Includes loans which demonstrate evidence of impairment on the reporting date. Interest is accrued on the net carrying amount of the loans and a lifetime ECL is factored into the profit and loss calculations.

For short-term receivables and cash and cash equivalents, the ECL model is not likely to result in a material change of the balance due to their short-term nature therefore the Company will apply the simplified approach for contracts that have a maturity of one year or less.

iii – Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in fair value that is attributable to changes in the credit risk of the liability is presented in the OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

Upon adoption of IFRS 9, the loan and receivables and zero dividend preference shares continue to be classified and accounted for at amortised cost. The adoption of IFRS 9 resulted in re-evaluation of the impairment model for financial assets measured at amortised cost and included estimation of an expected credit loss on those financial instruments. The Directors believe that the 12 month credit risk of RDL is minimal or effectively zero given the level of Cover. Consequently, the implementation of IFRS 9 resulted in no material impact to the Company's financial position or reported financial performance.

IFRS 15 – "Revenue from Contracts with Customers" (Replacement of IAS 18 – "Revenue") effective date from 1 January 2018

IFRS 15 is a new standard that introduces the following requirements:

- A five-step model is applied to determine when to recognise revenue, and at what amount.
- Revenue is recognised when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

IFRS 15 – "Revenue from Contracts with Customers" (Replacement of IAS 18 – "Revenue") effective date from 1 January 2018 (continued)

- Depending on whether certain criteria are met, revenue is recognised either over time, in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The Company adopted IFRS 15, and in addition to the above, the guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional and presentation currency
The financial statements are presented in Pounds Sterling ("GBP"), the currency of the primary economic environment in which the Company operates, the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the reporting date.

Financial instruments at amortised cost – Loan and receivables and Zero Dividend Preference Shares
These are initially recognised at cost, being the fair value of the consideration received or paid associated with the loan or borrowing net of direct issue costs. Loan and receivables and ZDP Shares are subsequently measured at amortised cost using the effective interest method. The effective interest method calculates the amortised cost by allocating interest over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees paid or received that form an integral part of the effective interest rate) through the expected life of the loan or borrowing to the net carrying amount on initial recognition.

Direct issue costs are deducted from the carrying amount and amortised using the effective interest method.

Taxation
The current tax payable is based on the taxable profit for the period. Taxable profit differs from net profit or loss as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the reporting date. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Capital contribution
Capital contributions from the parent company to meet current and future obligations of the Company are recognised directly in equity based on the value of expenses paid for by the parent company, in accordance with the Undertaking.

Investment income
Investment income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Income for interest bearing financial instruments is recognised on an accruals basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segmental reporting
The Directors perform regular reviews of the operating results of the Group as a whole and make decisions using financial information at the Group level. The Board of Directors is of the view that the Company is only engaged in one business segment.

Expenses
All operating expenses of the Company are paid by RDL pursuant to the Undertaking.

Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand and highly liquid interest-bearing securities with original maturities of three months or less from the date of acquisition.

Earnings per share
The Company presents basic and diluted earnings per share ("EPS") data for its Ordinary Shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders by the weighted average number of ordinary shares outstanding during the period. The diluted EPS is the same as the Basic EPS as there is currently no arrangement which could have a dilutive effect on the Company's Ordinary Shares.

Use of estimates, judgements and assumptions
The Company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

The following are areas of particular significance to the Group's financial statements and include the use of estimates and the application of judgement.

Critical judgements in applying the accounting policies – loan and borrowings at amortised cost

The Company accounts for the Loan at amortised cost on the basis that it intends to hold the financial asset to collect contractual cash flows and the ZDP Shares are accounted for at amortised cost on the basis that they have fixed or determinable payments. The effective interest rate method has been applied in calculating the income and expense during the year.

Critical judgements in applying the accounting policies – interest rate on Intercompany Loan

The Company entered into a Loan Agreement with RDL which is subject to an interest rate of 2% compounded annually as disclosed in note 3. This interest rate compared to the ZDP Shares' interest rate of 5% compounded annually could result in a potential transfer pricing issue which is often complex and requires significant judgement.

RDL has engaged a third-party adviser to provide transfer pricing advice concerning the arm's length interest rate payable on the Loan Agreement between the Company and RDL. The 2% interest rate has been determined to be reasonable by demonstrating the commercial effect for the RDL group over the 5-year period; identifying comparable transactions; performing interest rate benchmarking analysis; and reviewing third party commitment lending interest at a rate lower than the 5%. Therefore, in preparing these financial statements, the Directors considered using a 2% interest rate on the intercompany loan to be a reasonable estimate of an arm's length rate of interest.

3. LOAN AND RECEIVABLES

	31 Dec 2018	31 Dec 2017
	(GBP)	*(GBP)*
Beginning balance	**54,595,547**	53,525,047
Investment income during the year	**1,091,910**	1,070,500
Closing balance	**55,687,457**	**54,595,547**

Intercompany Loan Agreement

On 25 July 2016, the Company entered into a Loan Agreement with RDL. Pursuant to the Loan Agreement, the Company immediately following the Admission and Subsequent Admission lent the entirety of the gross proceeds of each issue of ZDP Shares to RDL, which RDL has applied towards making investments in accordance with its investment policy and working capital purposes. The costs associated with the issue of the ZDP Shares amounted to GBP 598,552, and were paid by RDL.

The loan is subject to an interest rate of 2% per annum, compounding on each anniversary of the date of Admission on 1 August 2016 and repayable on the earlier of: the date falling three business days before the ZDP Repayment Date (see note 4); or in an event of default; or on demand by the Company. The Directors of the Company have no intention to demand repayment of the Loan in the next 12 months.

Deed of Undertaking

The Company also entered into the Undertaking on 25 July 2016 pursuant to which RDL undertook to (among other things) subscribe for such number of Ordinary Shares in the capital of the Company as may be necessary or to otherwise ensure that the Company has sufficient assets to pay the Final Capital Entitlement to the ZDP Shareholders on the ZDP Repayment Date and to pay any operational costs incurred by the Company.

During the year, RDL contributed GBP nil (31 December 2017: GBP 175,280) to the Company. The total capital contribution by RDL as at 31 December 2018 amounted to GBP 670,946 (31 December 2017: GBP 670,946).

On 18 December 2018, the Company issued 519,430 ordinary shares to RDL to meet the expenses it paid on behalf of the Company.

4. ZERO DIVIDEND PREFERENCE SHARES

	31 Dec 2018 *(GBP)*	31 Dec 2017 *(GBP)*
Opening balance	**56,360,557**	53,563,069
Amortisation of issue costs during the year	**278,400**	230,155
Amortisation of premium during the year	**(155,296)**	(138,437)
Accrued interest during the year	**2,825,863**	2,705,770
Closing balance	**59,309,524**	**56,360,557**

Under the Company's Articles, the Directors are authorised to issue up to 55,000,000 ZDP Shares for a period of 5 years from 25 July 2016. On 1 November 2016, the Company passed a resolution to authorise the Directors to issue up to 75,000,000 ZDP Shares, such authority to expire on 26 July 2021, unless revoked sooner or varied by the Company in a general meeting.

On 1 August 2016, the Company issued 30,000,000 ZDP Shares at GBP 0.01 each at a placing price of GBP 1.00 per ZDP Share. Subsequently on 4 November 2016, the Company issued a further 23,000,000 ZDP Shares at a placing price of GBP 1.035 each.

During the year, RDL purchased a total of 7,278,193 ZDP Shares.

The ZDP Shares will have a final capital entitlement of GBP 1.2763 per ZDP share on the ZDP Repayment Date. Accordingly, the aggregate Final Capital Entitlement payable to the holders of ZDP Shares, is GBP 67,643,900.[5]

Rights Attaching to the ZDP Shares

The ZDP Shares carry no right to receive dividends or other distributions out of revenue or any other profits of the Company.

The ZDP Shares carry the right to vote as a class on certain proposals which would be likely to materially affect their position. Further ZDP Shares (or any shares or securities which rank in priority to or pari passu with the ZDP Shares) may be issued without the separate class approval of the ZDP Shareholders provided that the Directors determine that the ZDP Shares would have a Cover of not less than 2.75 times immediately following such issue.

[5] There can be no assurance that the Final Capital Entitlement of the ZDP Shares will be repaid in full on the ZDP Repayment Date.

4. ZERO DIVIDEND PREFERENCE SHARES (continued)

Voting Rights of ZDP Shares

The ZDP Shares carry no right to attend or vote at general meetings of the Company.

On a vote on a resolution on a show of hands at a class meeting of the holders of ZDP Shares (other than in respect of a ZDP Recommended Resolution or a ZDP Reconstruction Resolution (in each case as defined in the Company's Articles), each member present in person (and every proxy present who has been duly appointed by one or more members entitled to vote on the resolution) has one vote. A proxy has one vote for and one vote against the resolution if the proxy has been duly appointed by more than one member entitled to vote on the resolution, and the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against. On a vote on a resolution on a poll taken at a class meeting, every member has one vote in respect of each share held by him. All or any of the voting rights of a member may be exercised by one or more duly appointed proxies but where a member appoints more than one proxy, this does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

Any vote on any ZDP Reconstruction Resolution or ZDP Recommended Resolution shall be by means of a poll. At a class meeting of the holders of the ZDP Shares in respect of a ZDP Recommended Resolution or a ZDP Reconstruction Resolution, each holder of ZDP Shares present in person or by proxy shall, on a poll, have such number of votes in respect of each ZDP Share held by him (including fractions of a vote) that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of votes cast against the resolution. Each member present in person or by proxy and entitled to vote, who votes against such resolution shall on a poll have one vote for each ZDP Share held by him; provided that, if any term of any offer or arrangement to which the resolution relates shall (as regards any one or more members) have been breached in any material respect of which the chairman of the relevant meeting has written notice prior to the commencement of such meeting then, notwithstanding anything in the Articles to the contrary, each member shall, at any such meeting at which such shareholder is present in person or by proxy, and entitled to vote, on a poll have one vote for every such ZDP Share held by him.

Variation of Rights and Distribution on Winding Up

On a return of capital, whether on a winding up or otherwise, the holders of ZDP Shares shall be entitled to receive, in priority to any amounts paid to the holders of Ordinary Shares, an amount equal to the initial capital entitlement of GBP 100 pence per share as increased at such rate as accrues daily and compounds annually to give an entitlement to GBP 1.2763 on 31 July 2021, the first such increase to be deemed to have occurred on 1 August 2016 and the last to occur on 30 July 2021.

5. SHARE CAPITAL

AUTHORISED:

Limited number of Ordinary Shares	**10,000,000 Ordinary Shares**

5. SHARE CAPITAL (continued)

ISSUED AND FULLY PAID:

	31 Dec 2018	31 Dec 2017
	(GBP)	(GBP)
Opening balance	50,000	50,000
Issue of shares	519,430	-
Closing balance	**569,430**	**50,000**

The Company's 50,000 Ordinary Shares were issued to RDL on 23 June 2016.

On 18 December 2018, the Company issued a further 519,430 Ordinary Shares to RDL.

It is not intended that any dividend will be paid to the holders of Ordinary Shares prior to the ZDP Repayment Date.

Voting Rights of Ordinary Shares

Subject to any rights or restrictions attached to any shares, on a show of hands every ordinary shareholder present in person has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote, and on a poll every shareholder (whether present in person or by proxy) has one vote for every share of which he is the holder. A shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way. In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register.

Variation of Rights and Distribution on Winding Up for Ordinary Shares

On a return of capital, whether on a winding up or otherwise, after the amounts payable to the holders of ZDP Shares have been satisfied in full, each Ordinary Share carries the right to a repayment of capital of up to GBP 1.00 paid up capital and the Ordinary Shares all rank pari passu as respects distributions of any surplus remaining after all such capital has been repaid.

6. TAX

	31 Dec 2018	31 Dec 2017
	(GBP)	*(GBP)*
Corporation tax:		
Current	**186,883**	181,058
Total tax expense for the year	**186,883**	181,058

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

6. TAX (continued)

The Company's tax charge for the year can be reconciled to the loss in the statement of comprehensive income as follows:

The UK Corporation tax rate has changed from 20% to 19% effective 19 April 2017. The Company applied a weighted average corporation tax of 19.25% for 2017.

	31 Dec 2018 *(GBP)*	31 Dec 2017 *(GBP)*
Loss before tax on continuing operations	**(2,062,871)**	(1,856,925)
Tax effect at the UK corporation tax rate of 19% / 19.25%	**(391,945)**	(357,458)
Tax effect of expenses that are not deductible in determining taxable profit	**578,828**	538,516
Tax expense for the year	**186,883**	**181,058**

7. CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. The Company's capital is represented by the Ordinary Shares and capital contribution from RDL. Pursuant to the Undertaking granted by RDL in favour of the Company, RDL undertook to (among other things) subscribe for such number of Ordinary Shares in the capital of the Company as may be necessary or to otherwise ensure that the Company has sufficient assets to pay the total amount repayable to the ZDP Shareholders and pay any operational costs incurred by the Company.

The Company is not subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

8. FINANCIAL RISK MANAGEMENT

The Board of Directors has overall responsibility for the oversight of the Company's risk management framework. The objective of the Company is to provide the Final Capital Entitlement of the ZDP Shares to the ZDP holders at the redemption date. Due to the Company's dependence on RDL to repay the loan and provide contribution to meet the final capital entitlement of the ZDP Shareholders, the risks faced by the Company are considered to be the same as for RDL.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Interest rate risk.

All short-term financial instruments have been excluded from the following disclosures.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Loan Agreement and the obligation of RDL under the Undertaking to subscribe for such number of Ordinary Shares or otherwise ensure that the Company is able to pay the Final Capital Entitlement to ZDP Shareholders on the ZDP Repayment Date. RDL's credit risk is the risk of financial loss if a counterparty to a debt instrument fails to meet its contractual obligations. RDL seeks to mitigate its credit risk by realising all its remaining assets in the portfolio, in a prudent manner consistent with the principles of good investment management with a view to returning cash to its Shareholders in an orderly manner and meeting its obligations to the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The most significant cash outflow consists of the payment of the Final Capital Entitlement to the ZDP holders at the ZDP Repayment Date of 31 July 2021. The Company's exposure to liquidity risk depends upon RDL's ability to meet all current and future obligations of the Company. The Directors consider RDL's compliance with the Undertaking and the capital contributions received as sufficient. The redemption amount of the ZDP Shares has been fully accrued up to repayment date.

The contractual undiscounted maturity profile of the Company's financial assets and liabilities is as follows:

	31 Dec 2018	31 Dec 2017
	(GBP)	*(GBP)*
In more than one year but not more than five years:		
Loan and receivables	**58,610,638**	58,610,638
Zero Dividend Preference Shares	**67,643,347**	67,643,347

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

8. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risk occurs when there is a mismatch between the interest rates of the Company's assets and liabilities. The interest rate applied on the Loan Agreement is fixed at 2% whereas the interest rate applied on the ZDP Shares is fixed at 5%. The net exposure to interest risk is reduced as a result of the Undertaking by RDL whereby at any time up to or immediately prior to the ZDP Repayment Date, RDL will subscribe for such number of ordinary shares in the Company as is necessary to provide the Company (after taking into account the repayment of the loan) with sufficient funds to meet the repayment obligations in respect of the ZDP Shares. Assuming the interest rate applied on the Loan Agreement is 5%, the investment income for the year would have been higher by GBP 1,866,882 (31 December 2017: GBP 898,163).

Fair value estimation

The fair values of cash and cash equivalents, prepayments, and accrued expenses and other liabilities are estimated to be approximately equal to their carrying values due to their short-term nature. The fair values for the loan and receivables and ZDP Shares are disclosed in this note for disclosure purposes only under IFRS 13 "Fair Value Measurement" ("IFRS 13").

The Directors based the fair value of the ZDP Shares on the traded price of GBP 116.000 pence (31 December 2017: GBP 101.875 pence) per share which was observed on the London Stock Exchange on 27 December 2018 (31 December 2017: 29 December 2017) being the last observable traded price before the year end. The Loan Agreement and Undertaking expire on the same date as the ZDP Repayment Date. Due to the dependence on RDL to repay the Loan and provide the support to meet the Company's obligation to the ZDP holders, the fair value of the Loan (including the amount receivable under the Undertaking) is estimated to be equal and opposite to the fair value of the ZDP Shares.

Fair value hierarchy

IFRS 13 defines a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of fair value hierarchy under IFRS 13 are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets and liabilities at the valuation date;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the assets or liability either directly (as prices) or indirectly (derived from prices), including inputs from markets that are not considered to be active; and

Level 3: Inputs that are not based upon observable market data.

However, the determination of what constitutes "observable" requires significant judgement by the Directors. The Directors consider observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple independent sources that are actively involved in the relevant market.

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

8. FINANCIAL RISK MANAGEMENT (continued)

The categorisation of a financial instrument within the hierarchy is based upon the pricing transparency of the financial instruments and does not necessarily correspond to the Company's perceived risk inherent in such financial instruments.

The ZDP Shares are classified within Level 1 of the fair value hierarchy on the basis that the fair value was derived from an observable traded price. The Loan and receivables are classified within Level 2 of the fair value hierarchy on the basis that the fair value of the Loan has been determined directly from the fair value of the ZDP Shares.

The following tables include the fair value hierarchy of the Company's financial assets and liabilities not measured at fair value but for which fair value is disclosed:

As at 31 December 2018:

Fair value	***(GBP)*** **Level 1**	***(GBP)*** **Level 2**	***(GBP)*** **Level 3**	***(GBP)*** **Total**
Loan and receivables	**-**	**61,480,000**	**-**	**61,480,000**
Zero Dividend Preference Shares	**61,480,000**	**-**	**-**	**61,480,000**

As at 31 December 2017:

Fair value	***(GBP)*** **Level 1**	***(GBP)*** **Level 2**	***(GBP)*** **Level 3**	***(GBP)*** **Total**
Loan and receivables	**-**	**53,993,750**	**-**	**53,993,750**
Zero Dividend Preference Shares	**53,993,750**	**-**	**-**	**53,993,750**

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

9. BASIC AND DILUTED LOSS PER ORDINARY SHARE

The calculation of loss per share is based on the net loss for the year of GBP 2,249,755 (31 December 2017: GBP 2,037,983) and on a weighted average number of shares of 68,500 Ordinary Shares (31 December 2017: 50,000).

10. ULTIMATE CONTROLLING PARTY

The voting rights in the Company are wholly-owned by RDL Realisation Plc, a company incorporated in the United Kingdom and registered in England and Wales, and is therefore the immediate and ultimate controlling party.

11. RELATED PARTIES

During the year and pursuant to the Deed of Undertaking, RDL contributed GBP nil (31 December 2017: GBP 175,280) to the Company.

On 18 December 2018, the Company issued 519,430 ordinary shares to RDL.

On 25 July 2016, the Company entered into a Loan Agreement and Undertaking with RDL which are disclosed in more detail in note 3.

As at 31 December 2018, RDL held 7,278,193 ZDP Shares.

The Company had no employees for the year ended 31 December 2018 (31 December 2017: none).

The Directors received no remuneration for their services to the Company during the year and prior year.

12. AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration is as follows:

	31 Dec 2018	31 Dec 2017
	(GBP)	*(GBP)*
Audit fees for the financial statements	**28,965**	24,960
Non-audit fees related to corporate financial services charged to Zero Dividend Preference Shares	**-**	12,800
	28,965	37,760

NOTES TO THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2018

13. OPERATING SEGMENTS

Geographical information

The Company is managed as a single financing business, being the provision of a loan to RDL from the Company's ZDP Share proceeds.

The chief operating decision maker is the Board of Directors. Under IFRS 8 the Company is required to disclose the geographical location of revenue and amounts of non-current assets other than financial instruments.

Revenues
All of the Company's revenue is generated from the UK.

Non-current assets
The Company does not have non-current assets other than its loans and receivables.

14. SUBSEQUENT EVENTS

On 3 June 2019, the Company announced that the ZDP Committee of RDL and the Board of the Company have finalised the terms of a proposal (the "Proposal") pursuant to which, subject to required approvals by holders of ZDP Shares (the "ZDP Shareholders"):

- the Board and the RDL Board will take the steps necessary to place the Company into a members' voluntary winding up on a new ZDP Repayment Date, which will be 20 June 2019; and

- ZDP Shareholders will receive a Final Capital Entitlement of 121.8887 pence per ZDP Share (the "Revised Final Capital Entitlement").

The Proposal is conditional upon the approval by ZDP Shareholders of special resolutions at a class meeting. A circular (the "Circular") convening such a class meeting of ZDP Shareholders to be held on 20 June 2019 (the "ZDP Class Meeting") to consider, and if thought fit, approve the special resolutions required to implement the Proposal has been published and sent to the ZDP Shareholders.

The Company and RDL have received undertakings to vote in favour of the resolutions to be proposed at the ZDP Class Meeting from holders of approximately 64.5 per cent. of the total number of ZDP Shares in issue. RDL does not propose to vote the 7,278,193 ZDP Shares held by it in relation to the Proposal, representing approximately 13.7 per cent. of the total number of ZDP Shares in issue.

As a result of the above early repayment, the Company is expected to incur a loss on derecognition of the ZDP Shares of £3 million.

COMPANY INFORMATION

Directors
Brendan Hawthorne (appointed 26 July 2018)
Joseph Kenary (appointed 4 December 2018)
Christopher Waldron (resigned 19 June 2018)
Matthew Mulford (resigned 19 June 2018)
Jonathan Schneider (resigned 12 November 2018)

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